

SUBCOMMITTEE #3: Health & Human Services

Chair, Senator Mark Leno

**Senator Elaine K. Alquist
Senator Roy Ashburn**



April 30, 2009

**9:30 a.m. *or*
Upon Adjournment of Session**

**Room 4203
(John L. Burton Hearing Room)**

(Jennifer Troia)

<u>Item</u>	<u>Department</u>
0530	Office of Systems Integration <ul style="list-style-type: none">• Case Management, Information, and Payrolling System Replacement Project• CalWORKs Business Analytics and Reporting System
5180	Department of Social Services <ul style="list-style-type: none">• Community Care Licensing Division - Program Overview and Licensing Client Protections
4200	Department of Alcohol & Drug Programs <ul style="list-style-type: none">• Drug Medi-Cal Program - Post-Service, Post-Payment Reviews• Expenditure Authority for Residential and Outpatient Program Licensing Fund

Please note: The Committee will discuss only the items contained in this agenda at this hearing. Please see the Senate File for dates and times of subsequent hearings.

The Committee will discuss the issues in the order noted in the agenda, unless otherwise directed by the Chair.

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Discussion Agenda

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0530 Health & Human Services Agency, Office of Systems Integration (OSI)

OSI Issue 1: Case Management, Information and Payrolling System Replacement Project (CMIPS II)

Budget Issue: OSI has requested, in a Spring Finance Letter, to reduce its 2008-09 spending authority for the CMIPS II Project by \$18.3 million (\$6.6 million General Fund and \$11.7 million federal funds) and to correspondingly increase this spending authority by \$15.2 million (\$5.5 million General Fund and \$9.8 million federal funds) in the 2009-10 budget year. OSI states that this shift is necessary because of delays in project development and that it does not expect the project's costs or target completion date to change as a result of this request.

Costs and Funding for CMIPS II: The overall budget for the CMIPS II Project in the relevant budget years and the changes requested are summarized in the chart below, provided by OSI:

Category	2008-09 Budget	2008-09 Changes Requested in Finance Letter	2009-10 Budget	2009-10 Changes Requested in Finance Letter
OSI Staff	\$1,679,000	\$0	\$1,680,000	\$0
County Staff	\$5,175,000	(\$3,200,000)	\$20,865,000	\$3,200,000
County Travel	\$251,000	\$0	\$122,000	\$0
CMIPS II Contract	\$51,675,000	(\$2,849,000)	\$61,962,000	\$2,849,000
State Support Contracts	\$6,010,000	\$0	\$6,967,000	\$0
Interfaces	\$15,358,000	(\$12,287,000)	\$5,119,000	\$9,215,000
Data Center Services	\$934,000	\$0	\$2,009,000	\$0
Other (OE&E)	\$1,360,000	\$0	\$1,430,000	\$0
TOTAL	\$82,442,000	(\$18,336,000)	\$100,154,000	\$15,264,000

Background on CMIPS and CMIPS II: OSI provides project management services for automation projects of the Department of Social Services (DSS), including CMIPS, and the Employment Development Department. The existing CMIPS is a more than 20-year-old system that offers mainly payroll functions for providers in the In-Home Supportive Services (IHSS) program. The IHSS program provides in-home personal care services to qualified individuals who are blind, aged, or who have disabilities. IHSS services allow these recipients to stay in their homes and avoid institutionalization. CMIPS II was approved in recent years and is currently being developed. CMIPS II is intended to be a web-based solution that integrates off-the-shelf products to perform IHSS case management, payroll, and timesheet processing, as well as reporting and

data exchange functions. OSI has indicated that this new system will offer a number of benefits as compared with the existing system, including more timely updates of information; more easily accessible reports; increased work automation; and a greater ability to interface with other data systems.

The Development of CMIPS II: The development of CMIPS II is expected to be completed in July, 2011. According to OSI, the requested current year reduction and related budget year increase are necessary because of a delay related to a change in the CMIPS II development strategy. The original project schedule proposed by EDS involved overlapping of the main project development phases. The state has since requested that EDS instead break out those design phases, so that one will be completed before the next begins (known as a “waterfall” model).

Prior to this phase of the CMIPS II project, contract development and procurement began in fiscal year 1999-00. Procurement was delayed due to funding reductions in 2003, program changes in 2004, and the efforts of OSI and DSS to ensure a competitive process. Final proposals from bidders were received in August, 2006. The incumbent contractor, Electronic Data Systems (EDS), was the sole bidder. The contract award was supposed to be made on July 1, 2007, but negotiations took longer than anticipated. As a result, the contract was awarded to EDS in March, 2008. Project initiation and planning began July 1, 2008.

Subcommittee Staff Comment & Recommendation: Staff recommends approval of the \$18.3 million reduction in OSI spending authority for the CMIPS II Project in the current year and the related increase of \$15.2 million in the 2009-10 budget year.

Question for OSI/DSS:

1. Please summarize the anticipated benefits of CMIPS II for the IHSS program, including anticipated benefits to caseworkers, providers, and recipients.
2. Are the delays in this project, including this one, expected to result in additional workload to OSI, DSS and/or the vendor? How confident are you that they will not result in increased overall costs for this project?

OSI and DSS Issue 2: CalWORKs Business Analytics and Reporting System (CBARS)

Budget Issue: OSI and DSS have requested a combined total of \$1.8 million (\$1.2 million from the Office of Systems Integration Fund and \$600,000 from federal Temporary Assistance for Needy Families (TANF) block-grant funds) in 2009-10 to begin the planning and procurement process for CBARS, which is intended to provide more timely access to data from implementation of the California Work Opportunity and Responsibility to Kids (CalWORKs) program. The \$1.2 million from the OSI fund would support OSI's project management responsibilities. The \$600,000 from TANF funds would support new positions at DSS to provide program direction.

According to the Feasibility Study Report for CBARS, the procurement, development, and initial implementation of the solution is expected to span three and a half years, at a total estimated cost of \$13.5 million (including the \$1.82 million requested for 2009-10).

Breakdown of the Requested Funds: The chart below from OSI summarizes the total funds requested for 2009-10:

	2009-10 Request
State Staff– OSI	\$447,229
State Staff– DSS	\$506,665
Acquisition Support Services	\$165,278
Data Center Services	\$25,556
Agency Facilities	\$334,506
Consortia Data Extract Costs	\$175,000
Other (OSI)	\$62,237
Other (DSS)	\$103,167
Total	\$1,819,638

Background on CalWORKs & the Statewide Automated Welfare System (SAWS): CalWORKs is California's implementation of the federal TANF program and is operated in all 58 California counties by the county welfare departments or their contractors. CalWORKs provides temporary cash assistance to families who are unable to meet basic needs (shelter, food, and clothing) on their own. CalWORKs also provides education, training, and employment programs to assist these families in their move to self-sufficiency. The state requires CalWORKs recipients to engage in welfare-to-work activities that are designed to meet federal work participation requirements (WPR) and avoid federal financial penalties.

California's WPR is significantly lower than the federal requirement. In 2007, California achieved a WPR of 22.3 percent, compared with the required 40.7 percent. According to DSS, as a result of the state's failure to meet the federal WPR, California is currently

paying \$180 million per year to meet increased maintenance of efforts requirements and expects to pay \$150 million in annual penalties.

County caseworkers record case management data (including data that leads to the calculation of the state's WPR) into SAWS, which actually consists of four separate and distinct automated systems. The four systems are operated by consortia of multiple counties (with the exception of Los Angeles County, which has its own system). Although OSI provides project oversight of SAWS, counties have significant autonomy in developing and maintaining their systems.

Rationale Behind Request for CBARS: Even though the four consortia's systems are technically part of a statewide system, DSS does not have direct access to a statewide view of the data they contain. DSS instead relies on individual consortia or counties to provide data, which it must then aggregate. According to DSS, this lack of timely and detailed data makes it impossible for the department to make mid-course corrections in program policies or provide impactful technical assistance. The proposed CBARS project would instead create a system through which DSS could assess WPR performance at any point in time. The department and OSI also intend for CBARS to improve the ability of various other state-level data systems to interface with CalWORKs data, including, e.g., the Medi-Cal Eligibility Data System.

Subcommittee Staff Comment & Recommendation: Notwithstanding the need to improve CalWORKs data collection and reporting, given the current fiscal situation facing the state, this project may not be urgent enough to necessitate approval of the requested funds for 2009-10. Staff recommends holding this issue open pending May Revision.

Questions for DSS and/or OSI:

1. Please summarize the need for the proposed CBARS and the reasons you see this as the best solution to meet those needs. In particular, can SAWS reporting tools be used instead of CBARS?
2. Please describe the end-users you would anticipate including as CBARS is developed. Would counties--in particular caseworkers--or the public have direct access to information contained in CBARS? What reports might be produced for the public and/or stakeholders?
3. How do you anticipate that CBARS would help CalWORKs clients?

5180 Department of Social Services (DSS)

DSS Issue 1: Licensing Client Protections Budget Change Proposal

Budget Issue: DSS requests \$3.5 million (approximately \$3 million from a 16 percent increase in licensing fees and the remaining \$500,000 from federal funds) and 30 positions in response to increased criminal background check workload and concerns about the need to assure compliance with laws related to sex offenders and licensed facilities, certified homes, or county-approved relative homes. The chart below, from DSS, displays a breakdown of the requested funds between these purposes:

	POSITIONS	TOTAL FUNDS
1. Caregiver Background Check Bureau	21.5	\$2,095,000
2. Protections Related to Registered Sex Offenders (RSO)		
Website	1.0	\$111,000
Data Match	3.5	\$1,008,000
Megan's Law	4.0	\$303,000
RSO Subtotal	8.5	\$1,422,000
OVERALL TOTAL	30.0	\$3,517,000

The proposed efforts to monitor registered sex offenders include providing online data to parole and probation officers about the locations of licensed facilities, conducting an annual match of offenders' address data with licensee addresses, and extending the address match process to county-licensed homes and approved relatives' homes.

Background on the Community Care Licensing (CCL) Division of DSS: With a total budget of about \$120 million (approximately \$38 million General Fund), CCL oversees the licensure of approximately 86,000 facilities, and has the responsibility to protect the health and safety of the individuals served by those facilities. The facilities licensed by CCL include child care centers; family child care homes; foster family and group homes; adult residential facilities; and residential care facilities for the elderly. CCL does not license skilled nursing facilities (licensed by the Department of Health Care Services) or facilities that provide alcohol and other drug treatment.

All individuals seeking to be licensed to operate, work in, or reside at a community care facility must first complete a criminal background check that is processed (and in some circumstances investigated) by CCL. CCL is also responsible for reviewing and responding to any reports of criminal activity that lead to an arrest subsequent to an initial background check. As a result of these subsequent criminal arrest investigations, CCL may revoke an individual's permission to be involved with a facility.

CCL also performs inspection visits to licensed facilities, with an underlying statutory requirement to conduct a routine visit to every community care facility at least once every five years. According to DSS, compared with 2007-08, in 2008-09 CCL has increased its frequency of facility visits and decreased a backlog of overdue inspections (although CCL still projects 200 overdue inspections per month). The overall number of complaints and citations has also decreased during that time.

Rationale Behind Requested Caregiver Background Check Positions: According to CCL, there has been a 17 percent increase in the overall workload related to criminal arrest records submitted to the bureau for review over the last three years. For example, the department processed 206,768 background check applications in 2004-05, which increased to 229,912 in 2007-08. The number of subsequent arrest rap sheets received by the department rose from 16,485 in 2004-05 to 26,394 in 2007-08. As a result of the workload increase, CCL estimates that there is an existing backlog of about 1,400 individuals whose backgrounds or arrests require its review or investigation. Pending the investigation of a subsequent arrest, some of these individuals may continue to work in community care facilities.

Rationale Behind Requested Positions for Monitoring Registered Sex Offenders: The Department of Justice (DOJ)'s database of registered sex offenders contains a list of more than 59,000 offenders who live in California's communities. Last year, the Bureau of State Audits (BSA) conducted an audit on the placement of these offenders in residential facilities. During that audit, BSA also discovered 49 instances in which the registered addresses in DOJ's database were the same as the addresses of facilities licensed by DSS to serve children. Upon further investigation, two of these matches pointed to instances in which a registered sex offender had access to a facility where children were present. The department immediately suspended those facilities' licenses. The department also suspended the licenses of 11 other facilities to which an offender had access, even though no children were present.

LAO Alternative to DSS's Proposal: The LAO recommends "(1) a higher fee increase of 25 percent (raising \$5.4 million), (2) funding the workload increase related to subsequent crime arrest investigations (at a cost of \$1.8 million), and (3) funding the data-sharing portion of the expanded efforts related to registered sex offender investigations now (at a cost of \$96,000) and delaying consideration of the remaining efforts for two years. This option results in a net General Fund benefit of \$3.5 million in 2009-10, with similar savings in 2010-11." (italics removed)

The LAO points out that licensing fees have not been raised since 2004-05 and that fees currently cover only about 35 percent of the state's costs for licensing and enforcement activities. Under proposal, a 25 percent fee increase could raise the state's cost recovery to about 45 percent of the cost of licensing and enforcement activities.

The LAO supports funding the data-sharing capabilities for monitoring the presence of registered sex offenders. However, the LAO also believes that CCL has a sound

existing process in place through criminal background checks and reviews of arrest records to check for the presence of registered sex offenders in facilities and therefore recommends a two-year delay before consideration of the remaining efforts to expand CCL's sex offender investigations.

The chart below from the LAO's report compares the current fee schedule to the fees proposed by CCL and by the LAO:

Figure 15

**Community Care Licensing Fees
Examples of Current and Proposed Fees**

Facility Type	Annual Fee			Application Fee		
	Current	Governor's Proposal	LAO Proposal	Current	Governor's Proposal	LAO Proposal
Family child care home (1-8 children)	\$60	\$70	\$75	\$60	\$70	\$75
Child care center (1-30 children)	200	232	250	400	464	500
Adult day facility (16-30 adults)	125	145	156	250	290	313
Residential facility (16-30 residents)	750	869	938	1,500	1,739	1,875
Foster family agency	1,250	1,449	1,563	2,500	2,898	3,125

Subcommittee Staff Comment & Recommendation: Staff recommends holding these issues open pending May Revision.

Questions for DSS:

1. Please provide an overview of the funding for CCL in recent years and how the department has performed with respect to its criminal background check, routine inspection and complaint investigation responsibilities. Please specify what CCL already does in the area of criminal background check protections.
2. Please briefly summarize your request for additional positions to conduct criminal background checks and monitor registered sex offender's presence in community care facilities.

Issue 1: Criminal background checks

3. Please summarize the trends in criminal background check workload over the last few years, including subsequent arrests of individuals working in community care settings. How long have the incidences of criminal history and subsequent arrest reports been increasing? What might account for these increases?

Issue 2: Checks and monitoring of individuals who are registered sex offenders

4. Please provide an overview of the State Auditor's findings and recommendations with regard to Registered Sex Offender Investigations. What corrective actions have you already taken in response to the Audit? Why are the proposed new activities needed in addition to existing processes?
5. Have you considered whether increased licensing inspection visits to facilities where children are present might provide similar protections, in addition to other benefits?

Question for LAO:

1. Please summarize your alternative proposal for increasing fees and improving the licensing and oversight of facilities, including how the proposal differs from CCL's and what the resulting General Fund implications might be.

4200 Department of Alcohol and Drug Programs (ADP)

ADP Issue 1: Drug Medi-Cal Post-Service, Post-Payment Reviews

Budget Issue: ADP requests an increase of \$1.4 million (\$893,000 from licensing fees collected in the Residential and Outpatient Program Licensing Fund (ROPLF) and the remainder from federal funds) and 13 positions to expand the department's ability to conduct Drug Medi-Cal (DMC) Post-Service, Post-Payment (PSPP) reviews and complaint investigations. Eight of the 13 positions would be new and would be dedicated to conducting DMC PSPP reviews. The other five positions would be continuing limited-term positions devoted to complaint investigation.

Background on ADP Licensing Functions and DMC: With a proposed budget of approximately \$719 million (\$312 million General Fund) for fiscal year 2009-10, ADP is responsible for administering prevention, treatment, and recovery services for alcohol and drug abuse and problem gambling. To carry out part of this mandate, ADP certifies facilities, reimburses DMC claims, investigates DMC-related complaints, and conducts onsite PSPP reviews to ensure facility compliance with billing and reimbursement-related requirements for services provided to Medi-Cal eligible clients. The Licensing and Certification Division (LCD) of ADP has a total proposed 2009-10 budget of \$10.6 million (\$1.1 million General Fund and \$3.2 million ROPLF), including these requested funds. State law (Health & Safety Code Section 11833.02(e)) requires the LCD, unless otherwise specified, to be supported entirely by federal and special funds beginning in the 2010-11 fiscal year.

Nearly one-third of ADP's total expenditures support the DMC program, which is jointly funded by the federal and state government to provide drug and alcohol treatment services to persons lacking health insurance and with incomes up to 250 percent of the federal poverty level. DMC treatment is provided through these four modalities: 1) the Narcotics Treatment Program for persons who are opiate addicted, 2) Day Care Rehabilitative services, 3) Outpatient Drug Free services, and 4) Perinatal substance abuse services. According to ADP, there are currently 1,409 DMC providers in California certified to bill the DMC program (a number they project to increase to 1,577 by the 2010-11 budget year).

Post-Service, Post-Payment Reviews: Neither statutes nor regulations currently specify how frequently ADP must conduct PSPP reviews. According to ADP, PSPP reviews are currently conducted for each DMC certified program approximately once every five years. The additional eight positions requested would instead allow for PSPP reviews approximately once every two years. The department believes this greater frequency is necessary because it has become increasingly concerned regarding questionable billings or billing errors by DMC providers.

In 2005-06, ADP identified recoupments that resulted in \$276,000 in recovery of General Fund resources. From 2006-07, \$74,000 General Fund was recovered.

According to the department, cases from 2006-07 pending investigation could also result in up to \$2 million in General Fund recoveries.

Complaint Investigations: According to ADP, the number of complaints the department received increased from seven in the 2004-05 budget year to 33 in 2007-08. As a result, in 2007-08 ADP received four limited-term positions to address workload associated with complaint investigations. The department projects that complaints will continue to increase, to an estimated 43, in 2009-10. Therefore, ADP requests to continue these limited-term positions, as well as one limited-term staff counsel position through fiscal year 2010-11.

Subcommittee Staff Comments & Recommendation: Notwithstanding the benefits of increasing the frequency of PSPPs, given the budget situation currently facing the state, staff recommends rejecting the eight new positions requested and instead offsetting an appropriate amount of General Fund expenditures from the Licensing and Certification Division of ADP. Pending additional information from ADP regarding the complaints at issue, staff recommends holding open the request to continue the five limited-term positions related to complaint review. Staff also recommends that the Subcommittee ask ADP to consider whether additional training for providers might provide an avenue for addressing some of the concerns that led to this request.

Questions for ADP:

1. Please summarize the overall funding for the Licensing and Certification Division, including how much is currently supported by General Fund. How does this proposal align with the department's mandate to be supported entirely by federal and special funds beginning in the 2010-11 fiscal year?
2. Please summarize the current frequency of PSPP reviews and how that frequency would change as a result of eight positions you are requesting. Why is this expansion of services so urgent right now?
3. How many staff does ADP currently have to respond to complaints? What are the most frequent subjects of the complaints? What actions are typically taken to investigate the complaints?

ADP Issue 2: Expenditure Authority for Residential and Outpatient Program Licensing Fund (ROPLF)

Budget Issue: ADP proposes Budget Bill Language (BBL) to allow the department to submit a one-time request to the Department of Finance by April 15, 2010 to increase its fiscal year 2009-10 ROPLF expenditure authority and decrease by a corresponding amount General Fund and/or Substance Abuse Treatment Trust Fund expenditures for its Licensing and Certification Division (LCD). Before submitting such a request, ADP would be required to assess the ROPLF fund balance resulting from licensing and certification fees to determine that there is a sufficient fund balance with a prudent reserve. Prior to approving such a request, the Department of Finance would be required to provide 30 days notice in writing to the Joint Legislative Budget Committee.

ADP states that this request will allow the department to maximize the use of the available ROPLF balance and to reduce its reliance on General Fund resources to support licensing and certification activities.

ROPLF Fund Condition: The fund's revenues (approximately \$3.6 million in 2008-09) come from regulatory licenses and permits and renewal fees. Expenditures supported by the fund include state operations costs for ADP. The fund reserve at the end of 2007-08 was \$1.8 million. That amount is estimated to increase to \$3.5 million for 2008-09.

Background on ROPLF and Rationale for this Request: The Administration requested, and the Legislature approved as part of the 2007-08 human services budget trailer bill (SB 84, Chapter 177, Statutes of 2007) authorization for ADP to collect fees from all providers to fund ADP's licensing and certification activities. SB 84 also established ROPLF as a new fund for the collection of the fee revenues. Prior to SB 84, only for-profit providers were charged the fees. SB 84, as codified in Health & Safety Code Section 11833.02(e), also requires the LCD, unless otherwise specified, to be supported entirely by federal and special funds beginning in the 2010-11 fiscal year.

Subcommittee Comments & Staff Recommendation: Given that these licensing fee revenues are relatively new and that this request creates authority for one-time-only flexibility to reduce the non-fee-based funding for LCD, staff recommends approval of the requested BBL.

Question for ADP:

1. Please explain why this authority is being requested and summarize the proposed process for making this one-time request.